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**Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations**

**Financing the United Nations Peacekeeping Force in Cyprus**

# Financial performance report for the period from 1 July 2005 to 30 June 2006 and proposed budget for the period from 1 July 2007 to 30 June 2008 of the United Nations Peacekeeping Force in Cyprus

## Report of the Advisory Committee on Administrative and Budgetary Questions

| | |
|---|---|
| Appropriation for 2005/06 | $44,184,300 |
| Expenditure for 2005/06 | $43,826,300 |
| Unencumbered balance for 2005/06 | $358,000 |
| Appropriation for 2006/07 | $44,831,400 |
| Projected expenditure 2006/07[a] | $47,304,800 |
| Estimated overexpenditure for 2006/07[a] | ($2,473,400) |
| Proposal submitted by the Secretary-General for 2007/08 | $46,848,000 |
| Recommendation of the Advisory Committee for 2007/08 | $46,587,400 |

[a] Estimates as at 31 March 2007 (see annex I).

## I. Introduction

1. **The Advisory Committee on Administrative and Budgetary Questions recommends approval of the Secretary-General's proposals for the United Nations Peacekeeping Force in Cyprus (UNFICYP) for the period from 1 July**

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**2007 to 30 June 2008, with the exception of his proposal to transfer funds for after-service health insurance (ASHI) (see. paras. 8 and 25 below).**

2. The Advisory Committee's general report on the administrative and budgetary aspects of the financing of United Nations peacekeeping operations will contain its views and recommendations on a number of cross-cutting issues. Consequently, in the paragraphs below, the Committee deals with resources and other items that relate specifically to UNFICYP.

3. The documents used by the Advisory Committee in its consideration of the financing of UNFICYP are listed at the end of the present report.

## II. Financial performance report for the period from 1 July 2005 to 30 June 2006

4. In its resolution 59/284 B, the General Assembly appropriated an amount of $44,184,300 gross ($42,072,200 net) for the maintenance of the mission for the period from 1 July 2005 to 30 June 2006. That amount included voluntary contributions from the Government of Cyprus in the amount of $14,699,000, equivalent to one third of the net cost of UNFICYP, and $6.5 million from the Government of Greece. An amount of $22,985,300 gross ($20,873,200 net) was assessed on Member States for the maintenance of UNFICYP for that period.

5. The mission's unutilized balance of $358,000 is the net effect of savings and additional requirements under various budget lines. Savings occurred as a result of delayed recruitment of international staff, delays in recruitment for posts vacated by staff who were reassigned to other missions and the decision to suspend recruitment against one Field Service post (administrative assistant to the Chief, Integrated Support Services). The average vacancy rate was 12.2 per cent, compared to the budgeted level of 5 per cent. Other savings related to the acquisition of accommodation equipment, stationery and office supplies, field defence supplies and acquisition of vehicle workshop equipment, after the mission took measures to reprioritize procurement and review the replacement plan in order to accommodate higher actual requirements under military contingent rotation costs, national staff costs and utilities.

6. The overexpenditure is a result of the following: (a) the revision of the national salary scale effective September 2005, representing an increase of 2.1 per cent; (b) the actual average salary step level of incumbents, which was higher than that budgeted; and (c) the appreciation of the Cyprus pound (£C) against the United States dollar, from £C 0.477 to £C 0.474.

7. The comments of the Advisory Committee on individual objects of expenditure can be found in the remarks concerning the proposed budget for the period from 1 July 2007 to 30 June 2008 in the paragraphs below.

8. The Advisory Committee notes that in its resolution 61/264 the General Assembly has requested the Secretary-General to submit a detailed report on after-service health insurance at its sixty-third session. **Pending a decision by the General Assembly, the Committee recommends that the full amount of other income and adjustments amounting to $1,791,400, as well as a portion of the unencumbered balance amounting to $32,800 for UNFICYP for the period**

**2005/06, which had been proposed for meeting after-service health insurance liabilities, be credited to Member States.**

## III. Information on performance for the current period

9. The Advisory Committee was informed that, as at 15 June 2007, a total of $315,341,000 had been assessed on Member States with respect to UNFICYP. Payments received as at 31 December 2006 amounted to $287,883,000, leaving an outstanding balance of $27,458,000. As at 26 March 2007, the cash position of the mission was $5,000,000, and unliquidated obligations from 1 July 2005 to 30 June 2006 amounted to $3,393,000. **After keeping three-months operating reserve (excluding reimbursements to troop-contributing countries) of $5,400,000, the cash deficit would be $400,000. Owing to the projected cash deficit, the reimbursement to troop-contributing countries is not possible at this time. The Advisory Committee expresses its concern about this situation.**

10. The Advisory Committee was also informed that troop cost reimbursement up to 30 April 2006 totalled $5,829,000 while the remaining balance owed as at 31 December 2006 was $7,770,000. With regard to contingent-owned equipment, the Committee was informed that as at 31 December 2006, an amount of $665,000 had been reimbursed, covering the period up to 31 March 2006. The estimated amount owed as at 31 December 2006 was $1,015,000, while unliquidated obligations for the period ending June 2007 currently totalled $955,100. As at 9 March 2007, $1,487,000 had been paid for 280 claims for death and disability compensation since the inception of the mission; unliquidated obligations amounted to $150,000; and no claims remained outstanding.

11. The Advisory Committee was informed that, as at 28 February 2007, the incumbency of UNFICYP for the period from 1 July 2006 to 30 June 2007 was as follows:

| | *Posts authorized* | *Posts encumbered* | *Number of vacant posts* | *Vacancy/delayed deployment rate (percentage)* |
|---|---|---|---|---|
| Military contingent personnel | 860 | 853 | 7 | 0.8 |
| United Nations police | 69 | 67 | 2 | 2.9 |
| International staff | 41 | 34 | 7 | 15.0 |
| National staff | 110 | 103 | 7 | 6.4 |

12. In a letter dated 5 April 2007 to the Advisory Committee, the Controller provided the updated status of preliminary expenditures for the period from 1 July 2006 to 30 June 2007, as at 31 March 2007 (see annex I). As indicated in the annex and as explained in the letter of the Controller, UNFICYP projects additional unforeseen expenditures during the 2006/07 period in the amount of $2,473,400 gross ($2,741,100 net) in excess of the appropriation approved by the General Assembly, for a total projected expenditure for the period of $47,304,800 gross ($45,754,000 net). The amount of $2,473,400 represents net additional requirements which reflect economy measures in the amount of $848,400 implemented by the mission under operational costs, primarily through the reprioritization of

procurement activities (the deferral of the implementation of a waste disposal project and of the acquisition of generators, accommodation and water purification equipment), reduced requirements owing to the favourable terms and conditions of new catering contracts and to the utilization of funding provided for the Conduct and Discipline Team, whose functions will be assumed by the United Nations Interim Force in Lebanon (UNIFIL) on a regional basis. The letter of the Controller states further that projected additional requirements are primarily attributable to the steep increases in the cost of the rotation of military contingents; accelerated deployment of United Nations police officers and an 11 per cent increase in mission subsistence allowance payable to police officers with effect from 1 October 2006; a revised national staff salary scale effective 1 September 2006; and the appreciation of the Cyprus pound during the period.

13. The Advisory Committee was also informed that the mission's projected overexpenditure will be reported in the context of its 2006/07 budget performance report, at which time an additional appropriation would be sought from the General Assembly to cover any funding shortfall. **The Advisory Committee interposes no objection to the course of action suggested.**

# IV. Proposed budget for the period from 1 July 2007 to 30 June 2008

## A. Mandate and planned results

14. The mandate of UNFICYP was established by the Security Council in its resolution 186 (1964). By its resolution 1728 (2006), the Council extended the mandate of the mission until 15 June 2007.

15. UNFICYP undertook a thorough review of its staffing requirements, including the number and grade levels of support staff and the possibility of utilizing United Nations Volunteers, pursuant to a request by the General Assembly in paragraph 15 of its resolution 60/270. The budget document indicates that the review was conducted on a section-by-section and post-by-post basis, taking into account the following: (a) the downsizing of the Force from 1,230 to 860 military personnel, which was implemented during the period 2005/06; (b) the increase in the authorized strength of the United Nations police from 35 to 69 officers, with full strength deployment in March 2006; (c) the operational requirements in support of the mission's mandate and functional responsibilities; and (d) job profiles and classified post grade levels of civilian support staff.

16. The mission concluded that, despite its downsizing, the complexity and level of operational activities and the resource requirements in support of the mandate remain constant. In addition, the levels of responsibility of seven Professional staff conformed to the United Nations post grade classification standards. With regard to the Field Service category, the mission is proposing a reduction by two posts, to a total of 16 posts. **The Advisory Committee commends UNFICYP for having undertaken the review of its support component staffing requirements.**

## B. Resource requirements

### 1. Military and civilian police personnel

| *Category* | *Approved 2006/07* | *Proposed 2007/08* | *Variance* |
|---|---|---|---|
| Military contingents | 860 | 860 | — |
| United Nations police | 69 | 69 | — |

17. The proposed budget for the period 2007/08 for military personnel and United Nations police amounts to $20,050,600, which is an increase of $1,889,000, or 10.4 per cent. The Committee was informed that the increased requirements are mainly due to the increased travel costs resulting from higher commercial flight and charter costs, when compared to the previous letter-of-assist arrangements with troop-contributing countries.

### 2. Civilian personnel

| *Category* | *Approved 2006/07* | *Proposed 2007/08* | *Variance* |
|---|---|---|---|
| International staff | 41 | 39 | 2 |
| National staff | 110 | 110 | — |

18. The proposed budget for the period 2007/08 for civilian personnel amounts to $12,881,900, reflecting an increase of $1,181,400, or 10.1 per cent. The Committee was informed that the increase is primarily a result of the revised salary scale for national staff and the appreciation of the local currency against the United States dollar.

19. The Committee was informed that in line with the proposal by the Secretary-General to establish an initial after-service health insurance-related charge of 8 per cent against net base salary costs on all budget types (see para. 35 (b), A/61/730), the proposed budget for UNFICYP includes provisions for after-service health insurance of $260,600 under common staff costs of international staff. **Pending a decision by the General Assembly, the Committee recommends a reduction of $260,600 under common staff costs of international staff for UNFICYP for the period 2007/08.**

**Recommendation on posts**

20. **The Advisory Committee recommends acceptance of the proposals by the Secretary-General regarding the establishment, conversion, abolition and redeployment of the international and national posts listed in annex II.**

## 3. Operational costs

| *Apportioned 2006/07* | *Proposed 2007-2008* | *Variance* |
|---|---|---|
| $14 969 300 | $13 915 500 | $1 053 800 |

### General temporary assistance

21. During the period 2005/06, the apportionment for general temporary assistance of $75,000 was exceeded by $84,700, or 112.9 per cent, resulting in total expenditures of $159,700. Requirements projected for the period 2006/07 are $332,900. In 2007/08, the proposed amount has been decreased to $79,000. The decreased requirement is a result of the abolition of two temporary positions, one P-5 and one national General Service staff, previously approved for the Conduct and Discipline Team. That function is being taken on regionally by UNIFIL.

### Official travel (training and non-training)

22. During the period 2005/06, the apportionment for official travel (training and non-training) in the amount of $154,600 was exceeded by $6,400, or 4.1 per cent, resulting in total expenditures of $161,000. The Committee was informed that a number of training courses were regularly provided for in each budget for the mission. While it recognizes that certain training requirements, such as the renewal of certificates or licences do recur, the Committee questions the number of recurrent courses involved. **In order to economize on expenditures for training-related activities, the Advisory Committee recommends that, so far as possible, participants in training courses be given the task of sharing their acquired knowledge with other mission personnel.**

### Air transportation

23. Requirements for liability insurance for helicopters in the 2007/08 budget amount to $93,000, an increase of $23,000 (32.9 per cent) over the previous budget period. The Committee was informed that the increase is a result of the provision of insurance for three helicopters, instead of two for the previous period. The mission is currently provided with the following: (a) two helicopters under letters-of-assist (one type H-500 and one type Bell-212); (b) and one helicopter (type H-500) which is made available free-of-charge by a troop-contributing country. Liability insurance for all three helicopters is provided by the Organization at a reduced annual premium of $31,000 per military aircraft, compared to the $35,000 premium included in the 2006/07 budget.

### Ground transportation (petrol, oil and lubricants)

24. Requirements for petrol, oil and lubricants in the 2007/08 budget amount to $676,700; this represents a decrease of $199,700 (22.8 per cent) compared to the previous budget period. The Advisory Committee was informed that the variance is a result of reduced fuel consumption based on past experience; that is 966,100 litres as compared to 1,328,600 litres in 2006/07. **The Committee notes the reduction and trusts that, in future, fuel consumption will continue to be estimated at realistic levels.**

# V. Conclusion

25. The actions to be taken by the General Assembly in connection with the financing of UNFICYP for the period from 1 July 2005 to 30 June 2006 are indicated in paragraph 19 of the performance report (A/61/724). **The Advisory Committee recommends that the unencumbered balance of $358,000 as well as other income and adjustments in the amount of $1,791,400 for the period ended 30 June 2006 be credited to Member States in a manner to be determined by the General Assembly (see also para. 8 above).**

26. The actions to be taken by the General Assembly in connection with the financing of UNFICYP for the period from 1 July 2007 to 30 June 2008 are indicated in paragraph 39 of the proposed budget (A/61/774). **Taking into account its observations above, the Advisory Committee recommends that the General Assembly appropriate an amount of $46,587,400 (gross) for the maintenance of UNFICYP for the twelve-month period from 1 July 2007 to 30 June 2008.**

*Documentation*

- Performance report on the budget of the United Nations Peacekeeping Force in Cyprus for the period from 1 July 2005 to 30 June 2006 (A/61/724)
- Budget for the United Nations Peacekeeping Force in Cyprus for the period from 1 July 2007 to 30 June 2008 (A/61/774)
- Report of the Advisory Committee on Administrative and Budgetary Questions on the financial performance report for the period from 1 July 2004 to 30 June 2005 and proposed budget for the period from 1 July 2006 to 30 June 2007 of the United Nations Peacekeeping Force in Cyprus (A/60/785)
- Report of the Advisory Committee on Administrative and Budgetary Questions on estimates in respect of special political missions, good offices and other political initiatives authorized by the General Assembly and/or the Security Council (A/61/640 and Corr.1)
- Report of the Secretary-General on the United Nations operation in Cyprus (S/2006/931)
- General Assembly resolution 60/270 on the financing of the United Nations Peacekeeping Force in Cyprus
- General Assembly resolution 61/264 on liabilities and proposed funding for after-service health insurance benefits
- Security Council resolutions 186 (1964) and 1728 (2006)
- Financial report and audited financial statements for the 12-month period from 1 July 2005 to 30 June 2006 and report of the Board of Auditors on United Nations peacekeeping operations (A/61/5), vol. II (advance version)

# Annex I

## Current and projected expenditures

(Thousands of United States dollars)

| | *1 July 2006 to 31 March 2007* | | | *Projected 1 April to 30 June 2007* | | | | |
|---|---|---|---|---|---|---|---|---|
| | *Apportionment[a]* | *Total expenditure* | *Unencumbered balance* | *Expenditure* | *Total expenditure including projected* | *Estimated unencumbered balance as at 30 June 2007* | *Variance (percentage)* | |
| | *(1)* | *(2)* | *(3)=(1)-(2)* | *(4)* | *(5)=(2)+(4)* | *(6)=(1)-(5)* | *(7)=(6)÷(1)* | *Reasons for variance* |
| **Military and police personnel** | | | | | | | | |
| Military contingents | 17 198.6 | 18 226.2 | (1 027.6) | 826.8 | 19 053.0 | (1 854.4) | (10.8) | Additional requirements attributable to the increased cost of aircraft services for military personnel rotations. In September 2006, the rotation of the Argentine contingent was undertaken through a commercially chartered flight at a significantly higher cost compared to previous rotations utilizing military aircraft under letter-of-assist, as the Government-provided military aircraft is under complete overhaul. The rotation scheduled for April 2007 will also be undertaken through commercial means. |
| United Nations police | 963.0 | 909.2 | 53.8 | 280.0 | 1 189.2 | (226.2) | (23.5) | Additional requirements attributable to higher than budgeted average deployment of United Nations police officers. The average monthly strength would be 66 police personnel compared to the budgeted strength of 62 officers, with the application of a 10 per cent delayed deployment factor. In addition, the mission subsistence allowance rate increased by 11 per cent effective 1 October 2006. |
| **Subtotal** | **18 161.6** | **19 135.4** | **(973.8)** | **1 106.8** | **20 242.2** | **(2 080.6)** | **(11.5)** | |

| | 1 July 2006 to 31 March 2007 | | | Projected 1 April to 30 June 2007 | | | | |
|---|---|---|---|---|---|---|---|---|
| | Apportionment[a] | Total expenditure | Unencumbered balance | Expenditure | Total expenditure including projected | Estimated unencumbered balance as at 30 June 2007 | Variance (percentage) | Reasons for variance |
| | (1) | (2) | (3)=(1)-(2) | (4) | (5)=(2)+(4) | (6)=(1)-(5) | (7)=(6)÷(1) | |
| **Civilian personnel** | | | | | | | | |
| International staff | 5 856.2 | 4 287.8 | 1 568.4 | 1 656.1 | 5 943.9 | (87.7) | (1.5) | Additional requirements for common staff costs due to the separation, retirement, assignment and reassignment of international staff |
| National staff | 5 844.3 | 4 729.8 | 1 114.5 | 1 973.2 | 6 703.0 | (858.7) | (14.7) | Additional requirements owing to an increase by 4.7 per cent in the national staff salary scale effective 1 September 2006 compared to the previous salary scale, combined with the less favourable exchange rate |
| **Subtotal** | **11 700.5** | **9 017.6** | **2 682.9** | **3 629.3** | **12 646.9** | **(946.4)** | **(8.1)** | |
| **Operational costs** | | | | | | | | |
| General temporary assistance | 332.9 | 123.3 | 209.6 | 24.1 | 147.4 | 185.5 | 55.7 | Savings attributable to the non-recruitment of personnel for the Conduct and Discipline Team |
| Official travel | 145.1 | 92.0 | 53.1 | 29.4 | 121.4 | 23.7 | 16.3 | Savings attributable to the reprioritization of activities to accommodate additional requirements under rotational travel of military contingents |
| Facilities and infrastructure | 7 263.4 | 5 282.2 | 1 981.2 | 1 601.1 | 6 883.3 | 380.1 | 5.2 | Savings due to the favourable terms and conditions of new catering contracts implemented in July 2006 and measures taken by the mission to prioritize its procurement activities (deferral of the acquisition of generators, accommodation and water purification) to cover additional requirements for the rotation of troops. Savings would be partially offset by additional requirements resulting from the higher cost of cleaning contracts implemented in July 2006 and increased electricity costs. |

| | 1 July 2006 to 31 March 2007 | | | Projected 1 April to 30 June 2007 | | | | |
|---|---|---|---|---|---|---|---|---|
| | Apportionment[a] | Total expenditure | Unencumbered balance | Expenditure | Total expenditure including projected | Estimated unencumbered balance as at 30 June 2007 | Variance (percentage) | |
| | (1) | (2) | (3)=(1)-(2) | (4) | (5)=(2)+(4) | (6)=(1)-(5) | (7)=(6)÷(1) | Reasons for variance |
| Ground transportation | 3 240.9 | 2 964.0 | 276.9 | 185.8 | 3 149.8 | 91.1 | 2.8 | Savings attributable to lower actual fuel costs and lower insurance premium rates than budgeted |
| Air transportation | 1 567.2 | 970.0 | 597.2 | 587.6 | 1 557.6 | 9.6 | 0.6 | Savings due to the lower actual liability insurance premium rates |
| Communi-cations | 916.6 | 759.7 | 156.9 | 114.8 | 874.4 | 42.2 | 4.6 | Savings attributable to the in-house maintenance of equipment whenever possible as opposed to commercially provided maintenance |
| Information technology | 579.6 | 518.2 | 61.4 | 4.0 | 522.2 | 57.4 | 9.9 | Savings realized from the non-procurement of equipment planned for the Conduct and Discipline Team |
| Medical | 282.4 | 156.2 | 126.2 | 86.2 | 242.4 | 40.0 | 14.1 | Savings attributable to reduced projected requirements for medical supplies |
| Special equipment | 209.9 | 3.1 | 206.8 | 187.9 | 191.0 | 18.9 | 9.0 | Savings attributable to the non-procurement of budgeted rangefinder monoculars as surplus units were transferred from another mission. Additionally, binoculars and night observation devices were procured at a lower unit cost than budgeted for. Projected savings would be partially offset by the higher actual cost of closed-circuit television (CCTV) cameras |
| Other supplies, services and equipment | 431.3 | 334.9 | 96.4 | 391.4 | 726.0 | (294.7) | (68.3) | Additional requirements for the mission's share of the cost of maintaining the Procurement Task Force of the Office of Internal Oversight Services |
| **Subtotal** | **14 969.3** | **11 203.7** | **3 765.6** | **3 211.9** | **14 415.6** | **553.7** | **3.7** | |
| **Gross requirements** | **44 831.4** | **39 356.7** | **5 474.7** | **7 948.0** | **47 304.8** | **(2 473.4)** | **(5.5)** | |

| | 1 July 2006 to 31 March 2007 | | | Projected 1 April to 30 June 2007 | | | | |
|---|---|---|---|---|---|---|---|---|
| | Apportionment[a] | Total expenditure | Unencumbered balance | Expenditure | Total expenditure including projected | Estimated unencumbered balance as at 30 June 2007 | Variance (percentage) | |
| | (1) | (2) | (3)=(1)-(2) | (4) | (5)=(2)+(4) | (6)=(1)-(5) | (7)=(6)÷(1) | Reasons for variance |
| Staff assessment income | 1 818.5 | 996.6 | 821.9 | 554.2 | 1 550.8 | 267.7 | 14.7 | |
| **Net requirements** | **43 012.9** | **38 360.1** | **4 652.8** | **7 393.8** | **45 754.0** | **(2 741.1)** | **(6.4)** | |
| Voluntary contributions in kind (budgeted) | 1 439.0 | — | 1 439.0 | — | — | 1 439.0 | — | |
| **Total requirements** | **46 270.4** | **39 356.7** | **6 913.7** | **7 948.0** | **47 304.8** | **(1 034.4)** | **(102.2)** | |

[a] See General Assembly resolution 60/270.

# Annex II

## Summary of proposed changes

| *Office Section Unit* | *Number* | *Level* | *Description* |
|---|---|---|---|
| **Component 1** | | | |
| Civil Affairs Branch | +1 | LL | Additional Civil Affairs Sector Civil Affairs Team Liaison Assistant |
| **Component 4** | | | |
| General Service | -1 | FS | Conversion of Property Management Officer post from Field |
| | +1 | LL | Service to national General Service category |
| | -1 | LL | Abolishment of one post (secretary) |
| Integrated Support Services | -1 | FS | Conversion of Chief Transport Officer post from Field Service |
| | +1 | LL | to national General Service category |
| | -2 | LL | Abolishment of two posts (secretary and stores worker) |
| Procurement | -1 | LL | Redeployment of one national General Service post from Procurement to Finance Section |
| Finance | +1 | LL | Redeployment of one General Service post from Procurement to Finance Section |
| Conduct and Discipline Team | -1 | P-5 | Abolishment of positions for Conduct and Discipline Team |
| | -1 | LL | Abolishment of positions for Conduct and Discipline Team |
| **Total** | | | |
| International | -3 | | |
| National | -1 | | |
| United Nations Volunteers | — | | |

*Abbreviations*: LL = Local level; FS = Field Service.